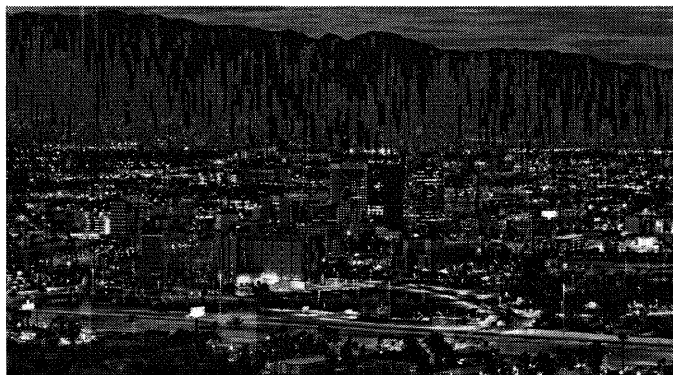


City of Tucson

Budget and Revenues Update



Mayor and Council Study Session – 9/15/2009



Overview

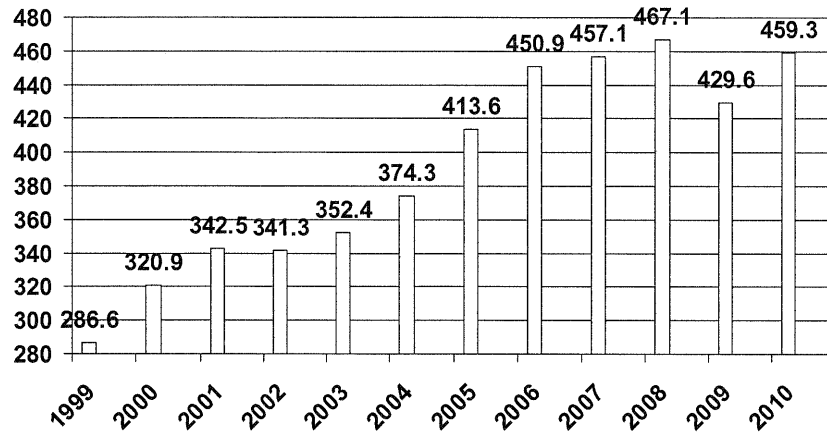
- FYE 2009 Unaudited
 - Fund Balance Projection – General Fund
- FY 2010
 - General Fund Revenues
 - Service and Program Reductions
 - FTE Comparisons
 - Financial Monitoring Team
 - General Fund Expenditure Budget by Function
 - Status of Other Funds
- FY 2011
 - Assumptions/Issues
 - Financial Recovery Plan
 - Potential Minimum/Maximum General Fund Deficits
- Next Steps

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General Fund Revenue FYs 1999 – 2010 (millions)

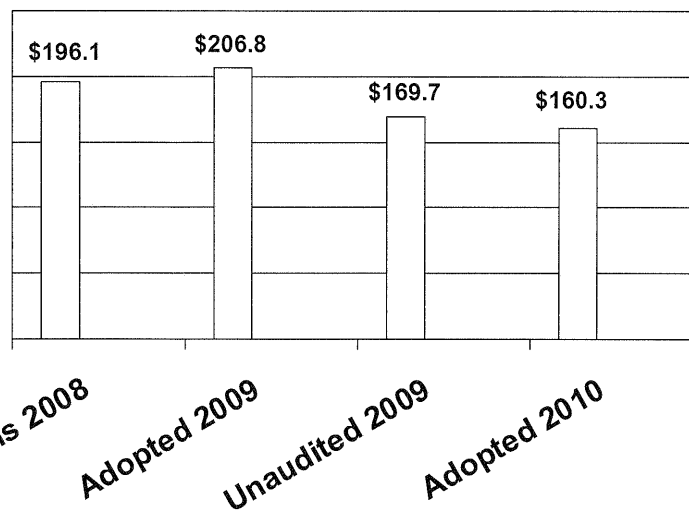


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Local Sales Tax Revenue (millions)

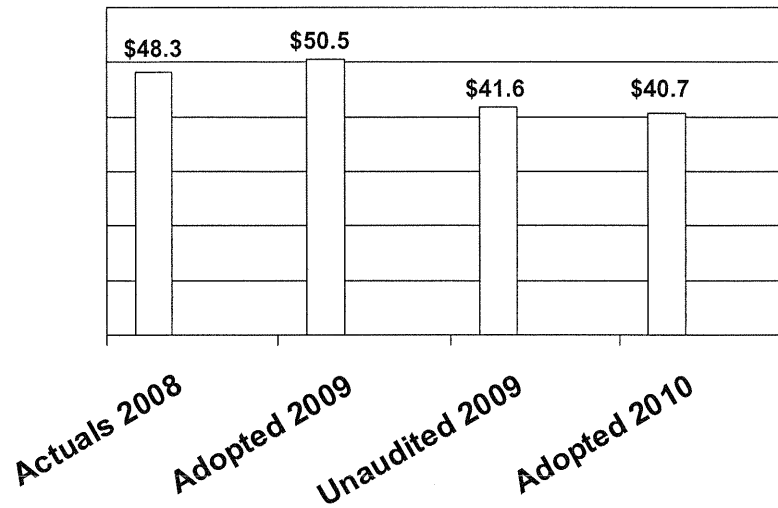


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State Shared Sales Tax (millions)



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Unaudited Estimated General Fund Balance FY 2009

Projection as of April 7, 2009 (millions)

Unreserved Fund Balance – July 1, 2008	\$31.1
Revenues	431.0
Expenditures	417.5
Subsidies	<u>39.3</u>
Expenditures and Subsidies	<u>456.8</u>
Expenditures in Excess of Revenues	(25.8)
Adjustment to Fund Balance	<u>9.3</u>
Unreserved Fund Balance – June 30, 2009	\$14.6
Percentage of General Fund Expenditures	3.5%

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Unaudited Estimated General Fund Balance FY 2009

Projection as of September 15, 2009 (millions)

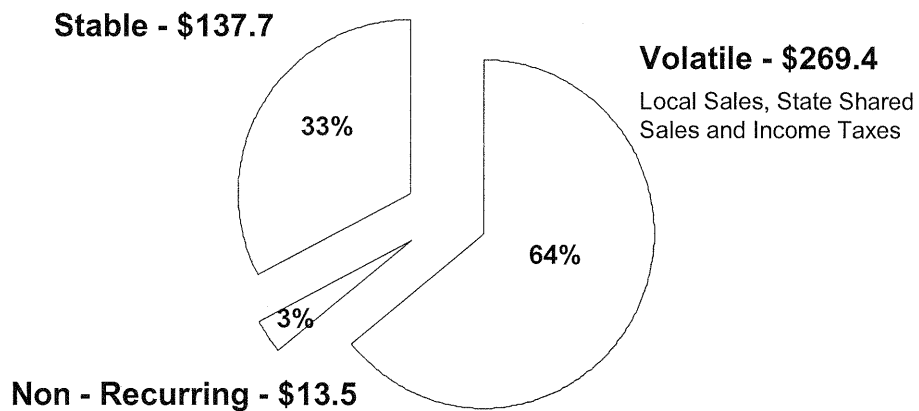
Unreserved Fund Balance – July 1, 2008	\$31.1
Revenues	429.6
Expenditures	410.8
Subsidies	<u>40.1</u>
Expenditures and Subsidies	<u>450.9</u>
Expenditures in Excess of Revenues	(21.3)
Adjustment to Fund Balance	<u>8.3</u>
Unreserved Fund Balance – June 30, 2009	\$18.1
<i>Percentage of General Fund Expenditures</i>	<i>4.4%</i>

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FY 2010 General Fund Adopted Revenues \$420.6 million



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Non-Recurring Revenues/Savings FY 2010 Budget (millions)

Debt Refinancing	\$11.4
Rio Nuevo Loan Repayment	6.7
Personnel Savings (Furloughs, Pension Contributions, Health Insurance, Uniform Allowance)	5.7
<u>W.R. Grace Settlement</u>	<u>5.3</u>
Total	\$29.1

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Service and Program Reductions FYs 2009/2010

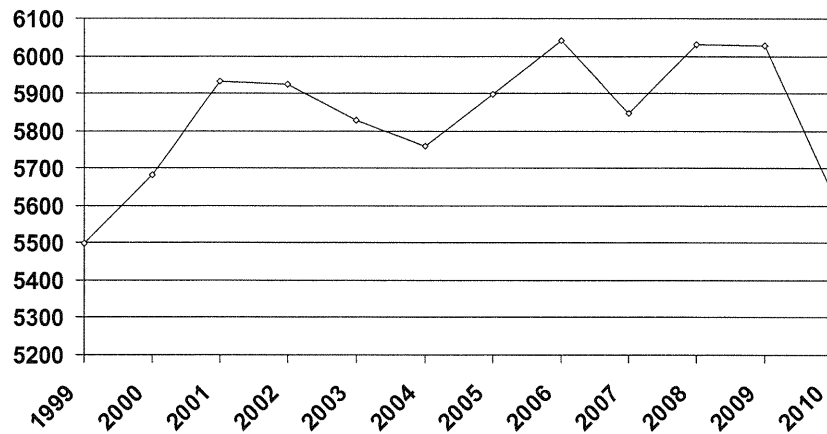
- Residential Street Paving Suspended
- Five Swimming Pools Closed in Winter
- Decrease in Leisure Class Offerings
- Reduction in Neighborhood Center Hours of Operation
- Deferred Maintenance of Park Facilities and City Buildings
- Deferral of Vehicle, Equipment, and Computer Replacements
- Elimination of 400 Vacant Positions (includes over 290 General Fund Positions)

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FTE Comparison Citywide FYs 1999 - 2010

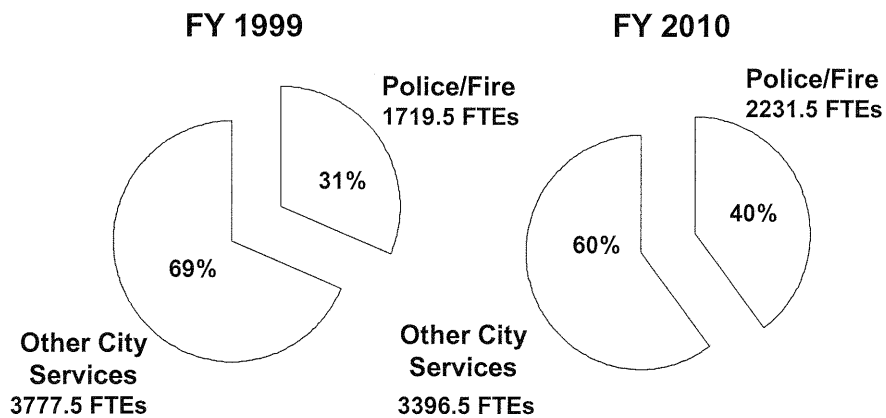


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Percent of Budgeted FTEs Police/Fire vs. Other City Services

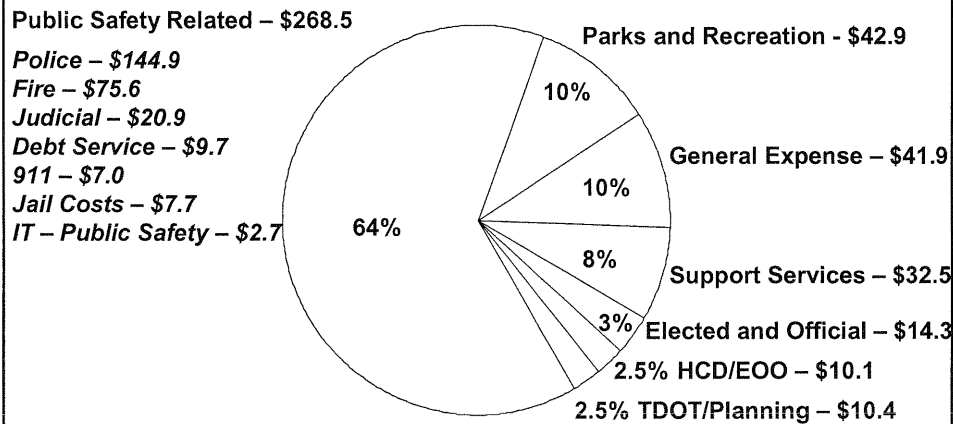


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General Fund Exp. Budget by Function FY 2010 – \$420.6 million



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Financial Monitoring Team

- Quarterly meetings of Budget and Finance staff with individual department directors and their financial staff
- Purpose – to improve the City's financial condition
- Focus on current revenues and expenditures, revenue drivers/trends/enhancements, service efficiencies, potential grant funding

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Overview of Other Funds FY 2010

- Environmental Services
 - Rates Increased in FY 2010
 - Capital/Operating Expenses Reduced
 - 10 Year Business Plan
- Self Insurance
 - Increased Rates
- HURF
 - Debt Restructuring
 - Vacancy Management
- Parkwise
 - Restructured Operations
 - Multi-Year Plan to Repay Accumulated Debt

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Overview of Other Funds FY 2010 (cont.)

- Water Utility
 - Rate Increase
 - CAP Remarketing/Adjust Current Year Water Order
 - Vacancy Management
 - Debt Restructuring
- Golf Utility
 - Revenue Increases
 - Cost Reductions/Rotate Golf Course Closures

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Assumptions/Issues FY 2011

- Flat Local Revenues
- One Time Fixes in 2010
- Core Service Reductions, Suspensions, and Deferrals (maintenance)
- Increased Employee Benefit Costs
- Reduced State Shared Revenues
- Public Safety Initiative Unfunded Mandate

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Approved General Fund Financial Recovery Plan

	FY 2011	FY 2012	FY 2013
Non-Recurring FY 2010	\$29.1M	\$16.5M	\$6.3M
Revenues/Savings			
Settlement Proceeds	\$5.3M		
Debt Refinancing	\$11.4M		
Personnel Savings	\$5.7M		
Rio Nuevo Loan Payment	\$6.7M		
Personnel Savings	\$5.7M	\$5.7M	
Debt Restructuring	\$11M		
Target Cuts	\$12.6M	\$10.2M	\$6.4M
	3% reduction in projected expenditures of \$421M	2.5% reduction in projected expenditures of \$408M	1.6% reduction in projected expenditures of \$398M

This scenario assumes flat revenues from FY 2011 through FY 2013.

Non-Recurring Deficit Eliminated by FY 2014

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Approved General Fund Financial Recovery Plan (cont.)

	FY 2010	FY 2011	FY 2012	FY 2013
Beginning Fund Balance	\$18,100,000	\$21,800,000	\$23,519,118	\$24,438,691
Non-Recurring Revenues/Savings from FY 2010		(\$29,100,000)	(\$16,480,882)	(\$6,280,428)
Settlement Proceeds - \$5.3M				
Debt Refinancing \$11.4M		\$11,000,000		
Personnel Savings \$5.7M		\$5,700,000	\$5,700,000	
Rio Nuevo Loan Repayment \$6.7M				
Total \$29.1M				
General Fund Expenditures	\$420,637,280	(\$12,400,000) \$408,018,162	(\$10,780,882) \$397,817,708	\$391,452,624
Cuts in Expenditures	-	3% \$12,619,118	2.5% \$10,200,454	1.6% \$6,365,083
Transfers to Fund Balance	\$3,700,000	\$1,500,000	\$1,500,000	\$1,500,000
Ending Fund Balance	\$21,800,000	\$23,519,118	\$24,438,691	\$26,023,347
As % of Expenditures	5.2%	5.8%	6.1%	6.6%

This scenario assumes flat revenues from FY 2011 through FY 2013.

Growth in revenues would be used in the following order:

- 1) Fully or partially fund any additional fixed expenditures (i.e. pension, health insurance, etc.)
- 2) Eliminate or reduce cuts in expenditures
- 3) Eliminate the \$5.7M in personnel costs
- 4) Split remaining revenue growth 50/50 between contributions to the rainy day fund and the Financial Sustainability Plan

Non-Recurring Deficit
Eliminated by FY 2014

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Financial Recovery Plan

- Approved by Mayor and Council on 8/5/09
- Precipitated by non-recurring revenues/savings included in FY 2010 Budget
- Three year plan beginning Fiscal Year 2011
- Framework that outlines future funding reductions and/or savings required to balance budget and start to restore fund balance
- Includes both short-and long-term strategies

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Short Term Financial Recovery Plan Strategies – FY 2011

- Pilot User Fee Policy
- New Fees
- Asset Management/Leaseback
- Defer Expenditures
- Develop FY 2011 Budget Scenarios
- Review Discretionary Expenditures and Non-Core Services

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Potential Minimum General Fund Deficit - FY 2011

(Millions)

Financial Recovery Plan Cuts	\$12.6	
Pension Increases	12.0	↑ E
Health Insurance Increase	2.7	↑ E
State Shared Income Tax	18.6	↓ R
<u>Reduction (ADOR Estimate – 30%)</u>		
Minimum Deficit	\$45.9	

Updated Every 90 Days

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Potential Maximum General Fund Deficit - FY 2011

(Millions)

Potential Minimum Deficit	\$45.9	
Public Safety First Initiative	10.4	↑ E
Personnel Savings	5.7	↑ E
State Shared VLT (10%)	2.2	↓ R
State Shared Sales Tax (10%)	4.1	↓ R
Maximum Deficit	\$68.3	

Updated Every 90 Days

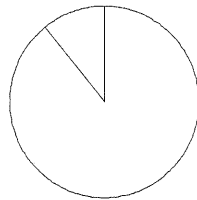
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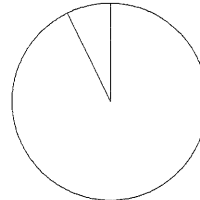
Potential Minimum/Maximum General Fund Deficits - FY 2011

Vacancy Savings
\$5.0 Million



Potential Minimum Deficit
\$45.9 Million

Vacancy Savings
\$5.0 Million



Potential Maximum Deficit
\$68.3 Million

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Next Steps

- Update to Mayor and Council in mid-November
- Discussion and implementation of short and long-term strategies including pilot user fee policy and Community Key Services Dialogue
- Discussion of Mayor and Council policy requirement for General Fund Unreserved Fund Balance
- Citywide hiring freeze implemented effective 10/1/09